

APPENDIX A

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 95-044 DATED 2/27/96

RECEIVED

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF BOWLING GREEN)
MUNICIPAL UTILITIES FOR AN INCREASE IN)
WATER AND SEWER RATES TO WARREN COUNTY)
WATER DISTRICT)

CASE NO.
95-044

AGREED ORDER

The parties to this proceeding, Bowling Green Municipal Utilities ("BGMU"), the Applicant, and Warren County Water District ("WCWD"), the Intervenor, have advised the Commission that they have reached a settlement agreement on the subject of this proceeding, the rate to be charged by BGMU to WCWD for water and sewer, and on certain other matters described herein.

Upon review and consideration of the proposed agreed rates and additional terms agreed to by the parties,

IT IS HEREBY ORDERED THAT:

1. The base rates charged by BGMU to WCWD shall be as follows:

WATER

Northside: \$0.5976 per 1,000 gallons
Westside and Morgantown Road: \$0.8030 per 1,000 gallons

SEWER

Northside: \$0.9444 per 1,000 gallons
Westside: \$0.9444 per 1,000 gallons

The effective date for billings by BGMU to WCWD of the above rates as well as future rate adjustments shall be the date that the Public Service Commission approves the resulting adjustment

in the rates charged by WCWD to its customers. The WCWD shall file its petition to adjust the rates for its customers, simultaneously with filing of any future joint petitions or agreed orders adjusting rates between the utilities.

2. The aforementioned base rates from BGMU to WCWD were calculated utilizing the methodology set forth in Exhibit "A" which is attached hereto and incorporated herein by reference. The methodology set forth in Exhibit "A" shall be utilized to calculate future adjustments to the base rates of BGMU to WCWD, with the first such preliminary calculation being made as soon as BGMU's trial balances are available in 1996 for the month ending its fiscal year which is June 30, 1996. The rate generated by the trial balance will be a preliminary base rate, with the final base rate being determined by utilizing BGMU's audited financial statements. Thereafter designated representatives of BGMU and WCWD will meet biannually to calculate both the preliminary base rate and the final base rate adjustments which shall be submitted to the members of the Committee hereinafter established for final recommendation. The Committee shall submit its final recommendation to the governing bodies of the utilities within fifteen (15) days of the date the proposed rate adjustments are submitted to its members. The adjustment for the base rate shall be determined biannually as provided above, with the effective date being the date that the Public Service Commission approves the change in the rates charged by WCWD to its customers in the manner set forth in Paragraph 1 above.

3. BGMU's base rate provided for above may be further adjusted at any time as a result of capital improvements made within the system of BGMU, with the cost of said improvements being allocated based upon factors creating the need for the capital improvements and the benefits derived by each utility from same, with BGMU and WCWD being responsible for their proportionate costs. The payment of the proportionate costs of BGMU shall be borne by its customers. The payment of the proportionate costs of WCWD shall be made either in the form of a direct payment to BGMU for its portion of the capital improvement or an increase in the base rates paid by WCWD to BGMU or in such other manner as shall be recommended by the Joint Engineering, Planning and Finance Committee ("Committee") to the governing bodies of the utilities as hereinafter provided.

4. BGMU and WCWD shall jointly create the Committee consisting of two members of the board of each utility which shall be advised and supported by members of the staffs of each which shall meet at least quarterly to oversee the development and implementation of a long range plan for development and expansion of water and sewer service from BGMU to WCWD, to include the engineering and financing of the necessary capital improvements needed for such service. All future capital improvements of BGMU that result from the need for increased service by BGMU to WCWD and all future capital improvements of WCWD which have a direct impact on BGMU's service to WCWD shall be reviewed by the Committee in an effort to provide the

customers of both utilities the best service at the least cost. The Committee shall recommend allocation of the cost of the future capital improvements of BGMU in accordance with Paragraph 3. The improvements made in the service area of each utility shall be owned by such utility regardless of the source of payment for the capital improvement, unless the parties otherwise agree. Future capital improvements needed for increased service by BGMU to WCWD shall only be made after the method and time for payment of such capital improvements are recommended by the Committee and approved by the respective governing bodies of BGMU and WCWD. Any rate adjustments with respect to capital improvements shall become effective on the dates agreed upon by the governing bodies of BGMU and WCWD and approved by the Public Service Commission of the rates charged by WCWD to its customers in the manner set forth in Paragraph 1 above. The Committee shall also, at the request of either BGMU or WCWD, review the methodology utilized to establish future base rate adjustments.

5. In the event that BGMU or WCWD determine that the aforementioned methodology to establish a base rate needs adjustment or in the event that they cannot agree on the allocation of cost for the capital improvements, then either BGMU or WCWD may seek relief from the Public Service Commission.

6. This proceeding shall be removed from the active docket of the Public Service Commission as settled.

Done at Frankfort, Kentucky, this ____ day of February

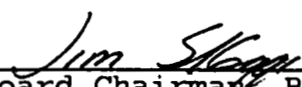
1996.

HAVE SEEN AND AGREE:

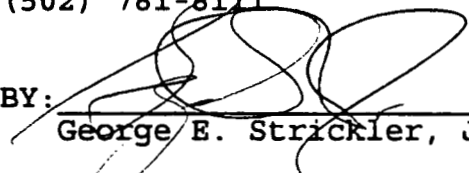
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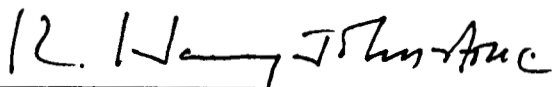


Board Chairman, Bowling
Green Municipal Utilities

BY: 

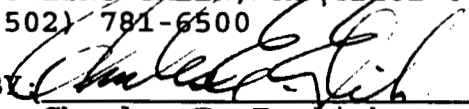
George E. Strickler, Jr.

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Board Assistant Secretary,
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BY: 

Charles E. English,
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Water District

By the Commission

ATTEST:

Executive Director

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-044 DATED FEBRUARY 27, 1996

The following rates and charges are prescribed for service provided by Bowling Green Municipal Utilities to Warren County Water District on and after March 1, 1996. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to March 1, 1996.

Water

| | |
|------------------------------|----------------------------|
| Northside: | \$0.5976 per 1,000 gallons |
| Westside and Morgantown Road | \$0.8030 per 1,000 gallons |

Sewer Service

| | |
|------------------------------|----------------------------|
| Northside: | \$0.9444 per 1,000 gallons |
| Westside and Morgantown Road | \$0.9444 per 1,000 gallons |